

Proposed Infrastructure Fund (consolidating the Real Estate Fund and IT Fund)

Report by the Secretariat

INTRODUCTION

1. The Organization must regularly invest in longer-term capital projects, in order to provide an effective and secure working environment for its staff. A Real Estate Fund was established under resolution WHA23.14 (1970) in order to provide funds for, inter alia, major maintenance and repairs to WHO buildings, and for new building construction. In accordance with this resolution, the Real Estate Fund is financed (i) from appropriations by Member States (from unspent funds), (ii) from rents charged for housing, concessions or garage space, and (iii) from interest earned on the fund balance.
2. More recently, Member States reviewed the updated real estate funding needs (including the Capital Master Plan),¹ approved the transfer of up to US\$ 10 million to the Real Estate Fund at the end of each biennium from unspent Member States' income,² and the Health Assembly and Executive Board noted reports indicating that the Director-General would transfer to the Fund each year an amount from the post occupancy charge introduced in 2010.³
3. In 2014, Member States approved the transfer of an exceptional amount of US\$ 25 million to the Real Estate Fund from unspent Member State funds.⁴ Lastly, in 2016 the Sixty-ninth World Health Assembly adopted decision WHA69(18), by which the governance and financing arrangements for the Geneva buildings renovation and construction projects were approved, and which requested the Director-General, inter alia, to ensure the allocation to the Real Estate Fund of US\$ 25 million per biennium.
4. As a result of these measures, WHO has been able to build up a Real Estate Fund that has a sustainable financing mechanism and that incorporates the needs for the major renovation projects, and new building work, both at headquarters and elsewhere in the Organization.
5. In addition to the investment requirements for real estate, the Organization must also invest in its information technology infrastructure. Further to the recommendations of the Independent Expert

¹ See document A63/36.

² See resolution WHA63.7 (2010).

³ See documents A63/36 and EB132/33.

⁴ See resolution WHA67.4.

Oversight Advisory Committee,¹ and the Secretariat's report on information management and technology to the Programme, Budget and Administration Committee of the Executive Board in January 2017,² the Director-General has established a new information technology governance structure, including a global IT Board, with representatives from all regions and headquarters. The Board will review information technology investment proposals against fixed criteria, and propose allocations of funds. In order to provide a sustainable financing source for information technology investments, and recognizing the long-term nature of such investments, it is now proposed to merge the information technology investment needs with those of real estate, and rename the Real Estate Fund the Infrastructure Fund. It is proposed that the financing of the new Infrastructure Fund be expanded from that of the existing Real Estate Fund, so as to provide sufficient sustainable financing for both sets of investments. It is also proposed that separate "sub-accounts" be maintained to segregate the real estate and information technology investment funds within the Infrastructure Fund.

EXISTING FINANCING AND NEEDS

6. The real estate needs are at present estimated at US\$ 25 million per biennium. These are being met under the current financing arrangements described above. An updated Capital Master Plan will be developed during 2018, incorporating the latest estimates of the major renovation and building needs across the Organization, to be provided by an external expert.

7. The estimated ongoing information technology investment needs are at least US\$ 15 million per biennium. This amount is separate and distinct from information technology operational costs, which cover longer-term staffing, outsourced service provision, maintenance and routine support.

8. All separate and distinct investment proposals are subject to a review by the IT Board. The Board presents its recommendations to the Director-General for final approval.

9. It is further to be noted that a one-off allocation, amounting to US\$ 8 million, has been made by the Director-General in 2017 in relation to major data centre infrastructure, information security investments and the WHO Integrated Digital Platform, which were described in the latest report on information management and technology.² This investment has been covered through accumulated programme support funds, given the exceptional earnings credited to those funds in 2016 and arising from foreign exchange gains and investment income.

PROPOSED ADDITIONAL FINANCING SOURCES

10. It is proposed that the information technology investments be financed with an initial amount of US\$ 15 million each biennium – US\$ 5 million from the unspent post occupancy charge, and US\$ 10 million from WHO's reserve in respect of accumulated earnings for programme support costs (the special account for servicing costs).

¹ See documents EBPBAC21/2 and EBPBAC23/3 and Report of the Nineteenth Meeting of the Independent Expert Oversight Advisory Committee (IEOAC) of the World Health Organization (Geneva, 27–29 July 2016) paragraph 16. Available at: http://apps.who.int/gb/ieoac/PDF/19/IEOAC_Report_of_the_19th_Meeting.pdf, accessed 6 April 2017.

² Document EBPBAC25/3.

11. The financing sources for any additional project supported by the IT Board must be identified by the Secretariat.

RISKS AND MITIGATION MEASURES

12. The following risks, with proposed mitigation measures, have been identified.
- Real estate funds and information technology investment funds must not be commingled, due to the risk that one might be financed at the expense of the other; while the Infrastructure Fund will serve both needs, separate sub-accounts will be maintained, and reported within the annual financial statements.
 - There is a risk of shortfalls in the annual and biennial funding sources identified. This risk already exists for the real estate funding mechanism, with up to US\$ 10 million from Member States' income per biennium, subject to availability. When one-off surpluses arise, either as a result of low implementation, or as a result of exceptional investment, foreign currency or other earnings, it will be proposed to Member States to make one-off appropriations, as for example in resolution WHA67.4 (2014).
 - Past experiences have shown how difficult it is to accurately predict and, therefore, plan for significant capital expenditures. To mitigate this risk, a comprehensive, independent assessment of all real estate assets will be undertaken in 2017. This will aim at strengthening the reliability of existing tools, such as the Capital Master Plan and the headquarters renovation strategy.
 - Separation of information technology investments from information technology operational costs. The IT Board will carefully scrutinize information technology project proposals to ensure that investment costs are kept separate. A similar review mechanism is already in place with respect to real estate projects.

ACTION BY THE HEALTH ASSEMBLY

13. The Health Assembly is invited to adopt the following draft resolution:

The Seventieth World Health Assembly,

Noting the financing requirements for infrastructure needs, comprising both real estate and information technology investments, as described in document A70/54;

Also noting the existing financing arrangements for the Real Estate Fund, in accordance with resolutions WHA63.7 (2010) and EB138.R7 (2016), which provide for US\$ 25 million per biennium for real estate needs,

1. APPROVES the renaming of the Real Estate Fund as the Infrastructure Fund;
2. APPROVES the extension of the purposes of the Infrastructure Fund (formerly Real Estate Fund) to include information technology investments, as approved by the IT Board, in addition to the approved purposes defined under resolution WHA23.14 (1970).

3. AUTHORIZES the Director-General to allocate, by the end of each biennium, at least US\$ 15 million, as available, for information technology investment needs within the Infrastructure Fund.

4. REQUESTS the Director-General to report to the Executive Board at its future sessions on the implementation of information technology and real estate projects covered by the Infrastructure Fund, and its financing.

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